

**CARROLL COUNTY SOLID WASTE
MANAGEMENT COMMISSION**

**Independent Auditor's Reports
Financial Statements and
Required Supplementary Information
Schedule of Findings**

June 30, 2014

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

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CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Marty Danzer	Chairperson	Carroll County
Adam Schweers	Vice-Chairperson	City of Carroll
Harvey Dales	Secretary/Treasurer	City of Manning
Jeff Anthofer	Member	City of Coon Rapids
Chad McDermott	Member	City of Breda
Mary Wittry	Director	
Muriel McDermott	Office Manager	

OLSEN, MUHLBAUER & CO., L.L.P.

Certified Public Accountants

PARTNERS

**RICHARD D. MUHLBAUER
PATRICK J. O'BRIEN
TRUDENE L. WITTMACK
KARLA L. FULTON
TAMMY M. BRUCH
ROBERT L. MUHLBAUER**

**1127 PLAZA DR.
VILLAGE PARK EAST
CARROLL, IOWA 51401
712-792-4314
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INDEPENDENT AUDITOR'S REPORT

To the Members of the
Carroll County Solid Waste
Management Commission

Report on the Financial Statements

We have audited the accompanying financial statements of Carroll County Solid Waste Management Commission, (the Commission), as of and for the year ended June 30, 2014, and the related Notes to the Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission at June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 6 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 11, 2014 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control over financial reporting and compliance.

Olsen, Muhlbauer & Co., L.L.P.

OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants

Carroll, Iowa
November 11, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Carroll County Solid Waste Management Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

Statement of Purpose

The Carroll County Solid Waste Management Commission was formed in 1971 with the express intent of providing cost-effective and environmentally sound solid waste management options for the citizens of Carroll County.

The Goals of the Commission remain the same as they were in 1971:

- to operate a cost-effective solid waste facility;
- to operate an environmentally sound solid waste facility;
- to comply with federal and state solid waste management regulations for operating a solid waste management facility including compliance with the waste management hierarchy
 - ~ source reduction
 - ~ recycling
 - ~ energy recovery
 - ~ volume reduction
 - ~ state-of-the-art land filling
- to educate users of the Commission's facilities about proper waste management.

Financial Highlights

- The Commission's operating revenues increased by 3.28%, or \$91,957, from fiscal 2013 to fiscal 2014.
- The Commission's operating expenses decreased by \$55,569 compared with operating expenses from fiscal 2013.
- The Commission's net position increased 6.45%, or \$615,276, from June 30, 2013 to June 30, 2014.

Using This Annual Report

The Carroll County Solid Waste Management Commission is a 28E Organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Carroll County Solid Waste Management Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as shown on the following page.

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statement of Net Position presents information on the Commission's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using This Annual Report (Continued)

The Statements of Revenues and Expenses, and Changes in Net Position are the basic statements of activities for proprietary funds. These statements present information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the reader of the report in determining how the Commission financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis of the Commission

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. The Commission's net position at the end of fiscal 2014 totaled approximately \$10,160,000. This compares to approximately \$9,550,000 at the end of fiscal 2013. A summary of the Commission's net position is presented below:

Net Position		
	June 30,	
	2014	2013
Current Assets	6,158,667	5,219,052
Restricted Investments	2,077,574	1,834,790
Capital Assets at Cost, Less Accumulated Depreciation	3,373,381	3,888,398
Total Assets	<u>11,609,622</u>	<u>10,942,240</u>
Current Liabilities	141,432	145,638
Noncurrent Liabilities	1,307,770	1,251,458
Total Liabilities	<u>1,449,202</u>	<u>1,397,096</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	3,373,381	3,888,398
Restricted	780,177	616,186
Unrestricted	6,006,862	5,040,560
Total Net Position	<u>10,160,420</u>	<u>9,545,144</u>

The largest portion of the Commission's net position (33%) is represented by investments in capital assets. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The amount restricted for closure and post-closure care is \$784,968 and the amount restricted for the Recycling Grant is (\$4,791). The remaining net position is the unrestricted net position that can be used to meet the Commission's obligations as they come due. Unrestricted net position also include \$3,337,872 designated landfill expansion funds and \$911,253 designated for debt retirement/equipment acquisition.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are received for tipping fees from accepting solid waste, assessments from the residents of the County, recycling processing fees and product sales. Operating expenses are paid to operate the landfill, recycling center and household hazardous waste and education programs. Non-operating revenues and expenses typically include such items as interest income and interest expense (in which none existed in the current year). The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2014 and 2013 is presented below:

	Changes in Net Position	
	Year Ended June 30,	
	2014	2013
Operating Revenue		
Tipping Fees	1,991,275	1,938,314
Community Assessments	253,786	252,927
Product Sales and Processing Fees	566,287	527,933
Other Operating Revenues	86,178	86,395
Total Operating Revenue	2,897,526	2,805,569
Operating Expenses		
Salaries	426,890	415,984
Employee Benefits	150,087	163,494
Machinery Maintenance, Labor and Parts	92,209	112,263
Oil and Gas	112,017	122,727
Long Range Planning and Engineering	182,895	150,308
Site Maintenance	28,431	27,195
Site Utilities	43,131	39,189
Office Expense	7,140	6,314
Training and Travel	13,374	13,595
Legal and Accounting	13,875	12,742
Insurance	68,922	65,152
Closure and Post-closure Care Costs	66,421	162,072
Planning and Recycling Expenses	57,691	54,614
Iowa Department of Natural Resources Tonnage Fees	196,139	191,995
Lab Fees	39,651	18,557
Amortization and Depreciation	763,346	732,697
Non-capitalized Equipment and Supplies	26,241	40,935
Contracted Services	90,560	101,499
Miscellaneous	6,229	9,486
Total Operating Expenses	2,385,249	2,440,818
Operating Income	512,277	364,751

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Revenues, Expenses and Changes in Net Position (Continued)

	Changes in Net Position	
	Year Ended June 30, 2014	2013
Operating Income	512,277	364,751
Non-operating Revenues (Expenses)		
Interest Income	42,318	40,881
Rental Income	33,061	33,393
Net Grant Activity	(12,372)	7,581
Unemployment Claims Paid	(10,696)	0
Gain on Disposal of Fixed Assets	50,688	0
Net Non-operating Revenue	102,999	81,855
Increase in Net Position	615,276	446,606
Net Position Beginning of Year	9,545,144	9,098,538
Net Position End of Year	10,160,420	9,545,144

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year with an increase in the net position at the end of the fiscal year.

In fiscal 2013, operating revenues increased by \$91,957 from fiscal 2013 to fiscal 2014. Tipping fees increased by almost 2.7% where product sales increased substantially this year by over 6% due to market price of processed materials. Operating expenses decreased by over \$55,500. Salaries and Employee Benefits decreased by nearly \$2,400, Depreciation and Amortization Expense increased by nearly \$30,000, Fuel costs decreased by over \$10,700, Toxic Waste Fees decreased by more than \$4,600 and Long Range Planning and Engineering increased by more than \$32,500 compared to fiscal year 2013. The Closure and Post-closure Care Costs estimate also increased by over \$66,000 from last fiscal year.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes tipping fees, assessments and recycling reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing includes purchase of certificates of deposits and interest income.

Capital Assets

At June 30, 2014 the Commission had approximately \$9,630,000 invested in capital assets, with accumulated depreciation of approximately \$6,257,000. Depreciation charges totaled \$763,346 for fiscal 2014. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Debt

At June 30, 2014 the Commission had a Grant Payable to the Iowa DNR for \$25,273, whereas the Commission's Grant Payable as of June 30, 2012 was \$43,790. In addition, the Commission has recorded an estimated liability for the current cost of closure and post-closure care in the amount of \$1,292,606 for 2014 and \$126,185 for 2013.

Economic Factors

Carroll County Solid Waste Management Commission continued to improve its financial position during the current fiscal year. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities and equipment owned and operated by the Commission require constant maintenance, upkeep and upgrades.
- Technology continues to expand and current technology becomes outdated presenting an on-going challenge to maintain up-to-date technology at a reasonable cost.
- Mandatory annual deposits required to be made to closure and post-closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.
- Volatile market prices for processed recyclable materials continue to present a budgeting challenge. Fluctuating tonnage delivered for processing due to outside organizations, companies, and individuals marketing the products directly presents staffing and budgeting challenges.
- The full Commission approved a tipping fee of \$43 per ton for solid waste from Carroll County for the 2014-2015 fiscal year with the assessment fee of approximately \$11.85 per capita remaining the same.
- Additional rules and regulations from the Environmental Protection Agency (EPA) and the Iowa Department of Natural Resources (DNR) Air Quality Division will increase the Commission's expenses to be in compliance.
- The Commission will monitor emerging technologies as they present themselves in the Midwest.
- The Commission will continue to look at programs that can remove additional materials from the waste stream in an economical and environmentally safe way.
- The Commission will construct cells 4A/4B/5 in 2015. This will be an 8 acre area and will provide air space through 2021. The project will be funded from the expansion funds for new cell development.
- The Commission will continue working through the requirements of being an Environmental Management System (EMS) as required by Iowa law. This program is voluntary and focuses on continuous environmental improvements.
- The Commission accepted bids for laying concrete at the Recycling Center parking lot in June 2014.

It is estimated that airspace available to continue disposal operations will be available through 2033 with the current waste flow. The Commission has adopted a policy of restricting solid waste fees collected from outside counties for future expansion. The amount so designated at June 30, 2014 is \$3,337,872.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Contacting the Commission's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional information, contact Carroll County Solid Waste Management Commission, 19111 Kittyhawk Avenue, Carroll, Iowa 51401.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Statement of Net Position June 30, 2014

Assets

Current Assets

Cash and Cash Equivalents	799,440
Certificate of Deposits	5,036,867
Cash - Restricted (Recycling Grant)	2,152
Receivables:	
Trade Accounts (Net of Allowance \$39)	246,294
Recycling Grant	18,330
Interest	12,804
Inventory	18,075
Prepaid Assets	<u>24,705</u>

Total Current Assets		6,158,667
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Noncurrent Assets

Capital Assets:

Land	515,765
Buildings	1,539,287
Landfill Improvements	4,452,893
Landfill Equipment	2,178,740
Recycling Equipment	919,332
Office Equipment	24,160
Less: Accumulated Depreciation	<u>(6,256,796)</u>

3,373,381

Restricted Investments		<u>2,077,574</u>
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Total Noncurrent Assets		<u>5,450,955</u>
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Total Assets		<u>11,609,622</u>
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Liabilities and Net Position

Current Liabilities

Accounts Payable	101,628
Accrued Compensated Absences	29,695
Current Portion of DNR Recycling Grant Payable	<u>10,109</u>

Total Current Liabilities		141,432
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Noncurrent Liabilities

DNR Recycling Grant Payable less Current Portion	15,164
Landfill Closure and Post-closure Care Costs	<u>1,292,606</u>

Total Noncurrent Liabilities		<u>1,307,770</u>
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Total Liabilities		<u>1,449,202</u>
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Net Position

Net Investment in Capital Assets	3,373,381
Restricted For:	
Closure and Post-closure Care	784,968
Tonnage Fees Retained	0
Recycling Grant	(4,791)
Unrestricted	<u>6,006,862</u>

Total Net Position		<u><u>10,160,420</u></u>
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The accompanying notes are an integral part of these financial statements.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Statement of Revenues and Expenses For Year Ended June 30, 2014

Operating Revenues:

Tipping Fees		1,991,275
Community Assessments		253,786
Outside County Processing Fees		31,055
Product Sales		535,232
Miscellaneous Income		2,886
DNR Fees Retained - Groundwater Protection		83,292
		<hr/> 2,897,526

Operating Expenses:

Salaries	426,890	
Employee Benefits	150,087	
Advertising	18,565	
Amortization and Depreciation	763,346	
Closure and Post-closure Care Costs	66,421	
Drop Box Service	39,126	
Education and Training	9,797	
Long Range Planning and Engineering	182,895	
Fuel	112,017	
Freight	11,909	
Insurance	68,922	
Iowa DNR Tonnage Fee	196,139	
Lab Fees	39,651	
Legal and Accounting	13,875	
Miscellaneous	6,229	
Office Supplies	7,140	
Outside Services	60,389	
Repairs and Improvements	92,209	
Site Maintenance	28,431	
Supplies - General	26,241	
Telephone	2,405	
Toxic Waste Fees	18,262	
Travel	3,577	
Utilities	40,726	
	<hr/>	<hr/> 2,385,249

Operating Income

512,277

Non-Operating Revenue/(Expenses)

Grant Income - SWAP	28,602
Grant Expenses - SWAP	(40,974)
Rental Income	33,061
Gain on Disposal of Land	50,688
Interest Income	42,318
Unemployment Claims Paid	(10,696)
	<hr/>

Net Non-Operating Revenues

102,999

Increase in Net Position

615,276

The accompanying notes are an integral part of these financial statements.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

**Statement of Changes in Net Position
For Year Ended June 30, 2014**

			<u>Restricted</u>			
	<u>Unrestricted</u> <u>Operating</u> <u>Fund</u>	<u>Investment</u> <u>in Capital</u> <u>Assets</u>	<u>Regulatory</u> <u>Requirements</u>	<u>DNR Fees</u> <u>Retention</u> <u>Fund</u>	<u>Recycling</u> <u>Grant</u>	<u>Total</u>
Balance- Beginning of Year	5,040,560	3,888,398	608,605	0	7,581	9,545,144
Increase/(Decrease) in Net Position	966,302	(515,017)	176,363	0	(12,372)	615,276
Transfers (Net)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Balance - End of Year	<u>6,006,862</u>	<u>3,373,381</u>	<u>784,968</u>	<u>0</u>	<u>(4,791)</u>	<u>10,160,420</u>

The accompanying notes are an integral part of these financial statements.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Statement of Cash Flows For Year Ended June 30, 2014

Cash Flows from Operating Activities:		
Cash Received from Tipping Fees	1,971,057	
Cash Received from Assessments	253,786	
Cash Received from Product Sales and Processing Fees	566,287	
Cash Received from Other Operating Receipts	86,178	
Cash Paid to Suppliers for Goods and Services	(987,314)	
Cash Paid to Employees for Services	(576,495)	
	<hr/>	
Net Cash Provided by Operating Activities		1,313,499
Cash Flows from Capital and Related Financing Activities:		
Purchase of Property and Equipment	(248,329)	
Proceeds from Sales of Land	55,000	
Costs Related to Land Sale	(4,312)	
	<hr/>	
Net Cash Used by Capital and Related Financing Activities		(197,641)
Cash Flows from Investing Activities:		
Purchase of Certificates of Deposit - Restricted	(242,783)	
Purchase of Certificates of Deposit - Unrestricted	(999,622)	
Redemption of Certificates of Deposit - Unrestricted	230,091	
Rental Income	33,061	
Interest Received	41,041	
	<hr/>	
Net Cash Used by Investing Activities		(938,212)
Net Increase in Cash and Cash Equivalents		177,646
Cash and Cash Equivalents at Beginning of Year		621,794
Cash and Cash Equivalents at End of Year		<hr/> <hr/>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income		512,277
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	763,346	
Closure and Post-closure Costs	66,421	
Unemployment Claims Paid	(10,696)	
Changes in Assets and Liabilities:		
Increase Accounts Receivable	(20,218)	
Increase Inventory	(2,100)	
Decrease Prepaid Assets	50	
Decrease Accounts Payable	(6,759)	
Increase Accrued Compensated Absences	11,178	
	<hr/>	
Total Adjustments		801,222
Net Cash Provided by Operating Activities		<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2014

Note 1 – Summary of Significant Accounting Policies

Organization

The Carroll County Solid Waste Management Commission (the Commission) is a joint undertaking of Carroll County and the municipalities of Carroll County organized pursuant to the provisions of Code Section 28E of the Iowa Code. The Commission was established for the purpose of developing, operating, and maintaining solid waste facilities for and on behalf of the municipalities who are members. In 1990, construction was completed on a recycling plant for Carroll County. Since becoming operational in November 1990, the plant has become a regional center for recycling.

The Commission is composed of an elected representative from the governing body of each participating governmental jurisdiction. A five-member executive board is elected, consisting of a member from the City of Carroll, a representative from the Carroll County Board of Supervisors and three at-large members. Each member shall be entitled to one vote for each 1,000 people or fraction thereof as determined by the most recent general federal census.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, the Carroll County Solid Waste Management Commission has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of the Commission are organized as an enterprise fund. Enterprise funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Position

The following accounting policies are followed in preparing the statement of net position:

Cash, Investments and Cash Equivalents

The Commission considers all unrestricted cash and short-term investments that are highly liquid, with an original maturity of three months or less to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2014 include certificates of deposits of \$7,114,441.

Restricted Assets

Funds set aside for payment of closure and post-closure care costs are classified as restricted as detailed in Note 3.

Accounts Receivable

Accounts receivable are carried at cost less an allowance for doubtful accounts. The provision for uncollectible accounts is based upon the age and collectability of specific accounts. The Commission grants credit to customers, many of who are local haulers or residents. Interest accrues on accounts 30 days after invoice date, however, there is no formal policy on accounts 90 days past due. The balance of accounts over 90 days past due at June 30, 2014 was \$39.

Inventory

Inventory that is recorded on the books at June 30, 2014, consists of recycling bags and bins which are carried at cost, principally on a first-in, first-out basis, but not in excess of market. The recycling center also has on hand marketable processed recyclables; however, no system has been developed that would allow for a reasonable estimation of the processing cost. Until these costs can be accumulated with some accuracy, they will continue to be expenses as incurred.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position (Continued)

Capital Assets

Capital Assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Buildings are depreciated over fifteen to twenty-five years and equipment is depreciated over a five to fifteen year life.

Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess \$1,000 and estimated useful lives in excess of one year.

In accordance with Governmental Accounting Standards, the lives of certain facilities and equipment may be adjusted to coincide with the remaining estimated useful life of the landfill. In addition, equipment and facilities included in the estimated total current cost of closure and post-closure care are not reported as capital assets, but will be reported as a reduction of the accrued liability when they are acquired.

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2014.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences

Commission employees accumulate earned but unused vacation hours and personal time off (PTO) hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation and PTO has been computed based on rates of pay in effect at June 30, 2014, and is treated as a current payable at that date.

Advertising Costs

The cost of advertising is expenses as incurred.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2014

Note 2 – Cash and Investments

The Commission's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission had no investments meeting the disclosure requirements of Governmental Standards Board Statement No. 3, as amended by Statement No. 40.

Note 3 – Designated Funds

The Commission has established accounts, designated for the following purposes:

Closure and Post-closure Care Costs	\$ 2,077,573
Equipment Additions	\$ 911,253
Future Landfill Expansion	\$ 3,337,872

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2014

Note 4 – Capital Assets

A summary of changes in capital assets is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	515,765	0	0	515,765
Capital assets being depreciated:				
Buildings	1,539,287	0	0	1,539,287
Equipment	2,880,100	248,329	(6,197)	3,122,232
Landfill Improvements	4,452,893	0	0	4,452,893
Total capital assets being depreciated	8,872,280	248,329	(6,197)	9,114,412
Less accumulated depreciation for:				
Buildings	908,422	44,154	0	952,576
Equipment	1,758,435	177,776	(6,197)	1,930,014
Landfill Improvements	2,832,790	541,416	0	3,374,206
Total accumulated depreciation	5,499,647	763,346	(6,197)	6,256,796
Total capital assets being depreciated, net	3,372,633	(515,017)	0	2,857,616
Total capital assets, net	3,888,398	(515,017)	0	3,373,381

Equipment includes \$20,606 of assets originally acquired under a capital lease with accumulated depreciation totaling \$20,606; this asset is fully depreciated for the year ended June 30, 2014. Lease amortization is included in current year depreciation. The leased equipment consists of a New Holland Tractor.

Note 5 – Closure and Post-closure Care Cost

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/post-closure plan and to provide funding necessary to effect closure and post-closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year post-closure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and post-closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2014

Note 5 – Closure and Post-closure Care Cost (Continued)

twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and post-closure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in post-closure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post-closure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for Carroll County Solid Waste Management Commission have been estimated at \$1,308,510 for closure and \$1,527,567 for post-closure, for a total of \$2,836,077 as of June 30, 2014, and the portion of the liability that has been recognized is \$1,292,606. These amounts are based on what it would cost to perform all closure and post-closure care during the year ended June 30, 2014. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the expected usable landfill area is nineteen years.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and post-closure care accounts to accumulate resources for the payment of closure and post-closure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2014, assets of \$2,077,574 are restricted for these purposes, of which \$622,000 is for closure and \$1,455,574 is for post-closure care. They are reported as restricted investments in the Statement of Net Position.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and post-closure care costs are not fully funded, the Commission is required to demonstrate financial assurances for the unfunded costs. The Commission has adopted the dedicated fund financial assurance mechanism. Under the mechanism, the Commission must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number years remaining in the pay-in period

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements
June 30, 2014

Note 5 – Closure and Post-closure Care Cost (Continued)

Chapter 567-113.14(8) of the IAC allows the Commission to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and post-closure care account requirements. Accordingly, the Commission is not required to establish closure and post-closure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

Note 6 – Grant Payable

In 2013 the Iowa Department of Natural Resources awarded to the West Central Iowa Solid Waste Management Association (WCISWMA) a grant where they were to receive a \$20,000 forgivable loan and a \$40,436 zero-interest loan to fund the Reinvigorate Recycling! Project. Carroll County Solid Waste Management is in charge of management of the project and the corresponding accounting functions required with this project. As of June 30, 2014 WCISWMA has received \$42,106 in funding with the remaining \$18,330 being treated as Grant Receivable. As part of the agreement with the Iowa Department of Natural Resources quarterly loan payments in the amount of \$2,527 commenced on January 15, 2013 and are set to end on October 15, 2016.

Below is a summary of the activity related to these grants:

	July 1, 2013 <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	June 30, 2014 <u>Balance</u>
SWAP - Reinvigorate Recycling! (Forgivable Loan/Unearned Revenue)	8,625	0	(8,625)	0
SWAP - Reinvigorate Recycling! (Zero-interest Loan)	35,382	0	(10,109)	25,273

Maturities of the SWAP - Reinvigorate Recycling! (Zero-interest Loan) are as follows:

June 30, 2015	10,108
June 30, 2016	10,108
June 30, 2017	5,057
Total	<u><u>25,273</u></u>

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2014

Note 7 – Pension and Retirement Benefits

The Commission contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95 percent of their annual covered salary and the Commission is required to contribute 8.93 percent of annual covered payroll. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 was \$ 34,862, \$34,862 and \$32,109 respectively, equal to the required contributions for each year.

Note 8 – Other Post-employment Benefits

The Commission currently has no retirees participating in any post-employment benefit plans.

Note 9 – Agreements with Outside Counties

The Commission has entered into a number of contracts with outside counties to provide landfill and/or recycling services. The agreements expire on various dates through 2015. Generally, while landfill usage affects the life of the current space available, recycling services are being offered without significantly increasing expenses.

Note 10 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. General liability coverage is provided through membership in the Iowa Communities Assurance Pool. The Commission assumes liability for any deductibles and claims in excess of coverage limitations.

Note 11 – Solid Waste Tonnage Fees Retained

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa.

At June 30, 2014, there were no unspent amounts retained by the Commission.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2014

Note 12 – Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the Commission's proportionate share of the employee pension plan.

Note 13 – Subsequent Events

The Commission has evaluated subsequent events through November 11, 2014, the date on which the financial statements were made available to be issued.

OLSEN, MUHLBAUER & CO., L.L.P.

Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Members of the
Carroll County Solid Waste
Management Commission

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the accompanying financial statements of Carroll County Solid Waste Management Commission as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, and have issued our report thereon dated November 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Carroll County Solid Waste Management Commission's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Carroll County Solid Waste Management Commission internal control. Accordingly, we do not express an opinion on the effectiveness of Carroll County Solid Waste Management Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Carroll County Solid Waste Management Commission financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Carroll County Solid Waste Management Commission's internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. None of the deficiencies met those criteria.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Carroll County Solid Waste Management Commission Responses to Findings

Carroll County Solid Waste Management Waste Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The Commission's responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Carroll County Solid Waste Management Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Olsen, Muhlbaumer & Co., LLP

OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants

Carroll, Iowa
November 11, 2014

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings
For Year Ended June 30, 2014

Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. We noted that generally one person has control over each of the following areas for the Commission.

- 1) Accounting System – record keeping for revenues and expenses, and related reporting.
- 2) Receipts – collecting, depositing, journalizing and posting.
- 3) Bank Reconciliation – preparation and maintenance of accounting records.
- 4) Payroll – changes to master list, preparation and distribution.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – Due to the limited number of office employees, segregation of duties is very difficult, however, we will have the Director review receipts, posting and payroll on a test basis and bank reconciliations monthly.

Conclusion – Response accepted.

- (B) Financial Reporting and Financial Statement Preparation – Internal controls over financial reporting include the preparation and review of financial statements, including footnote disclosure, for external reporting. As auditors, we are engaged to assist in preparation of the Commission's financial statements and related disclosures; however, we cannot be considered part of the Commission's internal control system. As is common for most smaller governmental entities, management lacks the expertise to effectively detect potential errors in the financial statement close process and resulting financial statements.

Recommendation – The Commission should design and implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. The review procedures should be performed by an individual possessing a thorough understanding of generally accepted accounting principles and knowledge of the Commissions operations.

Response – We will implement all reasonable review procedures; however, it is not fiscally responsible to add additional staff at this time.

Conclusion – Response accepted.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings For Year Ended June 30, 2014

Other Findings Related to Statutory Reporting:

- 1) Questionable Expenses – We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- 2) Travel Expense – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- 3) Board Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.
- 4) Deposits and Investments – The Commission has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.
- 5) Solid Waste Fees Tonnage Retainage – During the year ended June 30, 2014, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.
- 6) Financial Assurance – The Commission has demonstrated financial assurance for closure and post-closure care costs by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

	New Site		Old Site
	Closure	Postclosure	Postclosure
Total estimated costs for closure and post-closure care	1,308,510	938,742	588,825
Less: Balance of funds held in the local dedicated fund at June 30, 2013	(582,869)	(582,869)	(610,000)
	725,641	355,873	0
Divided by the number of years remaining in the pay-in-period	÷ 19	÷ 19	n/a
Required Payments into the local dedicated fund for the year ended June 30, 2014	38,192	18,730	0
Balance of funds held in the local dedicated fund as June 30, 2013	582,869	582,869	610,000
Required balance of funds to be held in the local dedicated fund at June 30, 2014	621,061	601,599	610,000
Amount Commission has restricted for closure and post-closure care at June 30, 2014	622,000	845,574	610,000

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Audit Staff

This audit was performed by:

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Robert L. Muhlbauer, CPA, Partner